



Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the annual results of Wang Sing International Holdings Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2005.

For the period under review, the Group's turnover was HK\$263,406,000 (2004: HK\$317,569,000) and loss attributable to shareholders was HK\$9,538,000 (2004: profit attributable to shareholder of HK\$18,608,000), while the loss per share was HK\$2.5 cents (2004: the earnings per share of HK\$4.8 cents.).

2005 was a year of challenge for the Group. During the period under review, the Group's operating environment was aggravated by the sky-rocketing prices of raw materials which exerted tremendous pressure on gross profit; and the fluctuations of Euro and Renminbi. The Group has reacted proactively by integrating its business; exploring other markets by efficient means, speeding up research and development, enhancing product positioning and actively endeavouring to reach cooperative agreements with clients of international renowned brands so as to enhance our reputation while laying a sound foundation for the growth of sales and efficiency of the Group.

During the year under review, prices of raw materials remained high; the substantial increase in the prices of metal and plastic materials such as copper and aluminium when compared with last year exerted great pressure on the Group's costing. In response to the market environment, the Group adjusted the proportion of self-production and outsourced production. The Group outsourced the production processes with higher costs in order to effectively reduce our own production cost and market risk, as well as investment input. Meanwhile, the Group took this opportunity to reduce headcounts and strengthen internal management and implemented a series of reforms in order to thoroughly position and fully prepare for scalable production in the future.

In view of the increasing market demand for professional tools, the Group strengthened its investment in research and development in order to successfully transform its products. During the year under review, the Group set up research and development centres in Taiwan and Nanjing and a new research and development centre was also established in Suzhou during the 3rd quarter of 2005. Such moves not only enhanced the overall research and development capabilities of the Group, but also helped integrating the domestic research and development strength with the latest development of the overseas products, so as to ensure that the Group's new products can satisfy the requirements of high end customers and are ahead of those of other manufacturers while enhancing the overall profitability of the Group.



Europe was the major market of the Group. The Group's further exploration and balanced development of the European market began to bore fruits. During the year under review, the Group readjusted the corporate strategy of SBW, its German associated company. In order to satisfy the requirements of customers of different levels while maintaining its profit as being the Group's subsidiary. SBW purchases low end products directly from external sources while assisting the Group to establish direct business relationship with high end clients. Although this strategy reduces the Group's short term sales revenue; it will help the Group to secure clients of renowned brands in the European market in the long run. In future, the strategy of SBW will be directed towards the development of high-end products in order to increase the profit margin of the Group. During the year under review, the Group stepped up its efforts in the exploration of the U.S. markets and diversified its markets so as to enhance its ability in managing business risks.

Looking ahead, the sales of power tools and air tools will benefit from the recovery of the global economy, the improvement in peoples' living standard and the strong growth of the DIY market. On top of these, the rapid growth of chain stores for power and air tools in European and the US. markets will also open up extensive business opportunities for the Group. In view of the Group's constant improvement of its manufacturing know how of professional tools and its continuous launch of new products to actively capture the market opportunities resulting from the increasing demand for power tools and especially air tools; the management remains optimistic about the future development of the Group.

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During the year under review, the Group provided training for its staff and various internal activities were organized to enhance the team spirit of the staff and strengthen their sense of belonging. The devotion and valuable contribution of our distinguished management and outstanding staff have enabled the Group to prosper healthily. Capitalizing on their team spirit, we are able to weather previous storms and fully position ourselves for the future development.

On behalf of the management of Wang Sing International, I would like to take this opportunity to express our heartfelt gratitude to all the shareholders and business partners for their support and trust during the past year and to all staff members for their diligence and dedication. We are determined to become one of the foremost manufacturers in the PRC. Our goal is to lead the market and surpass other manufacturers. Together with our customers and shareholders, we will stride into a more prosperous future.

Ms. Chen Wai Yuk

Chairman

Hong Kong, 20 April 2006